

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KEMPTON  
COMMISSIONER SMITH  
COMMISSIONER REDFORD  
COMMISSION SECRETARY  
COMMISSION STAFF  
LEGAL**

**FROM: SCOTT WOODBURY  
DEPUTY ATTORNEY GENERAL**

**DATE: JANUARY 21, 2010**

**SUBJECT: CASE NO. IPC-E-10-01 (Idaho Power)  
PROPOSED CHANGE IN BASE LEVEL FOR  
NET POWER SUPPLY EXPENSES**

Idaho Power Company (Idaho Power; Company) filed an Application on January 19, 2010, with the Idaho Public Utilities Commission (Commission) requesting an Order approving an increase in the Company's base level of net power supply expense (NPSE). The base level NPSE amount would be used prospectively to set both base rates and establish the base level of net power supply expense for the Company's 2010-2011 Power Cost Adjustment (PCA) calculations.

### **BACKGROUND**

On January 13, 2010, in Order No. 30978 issued in Case No. IPC-E-09-30, the Commission approved a Settlement Stipulation (Stipulation) which included a moratorium on rate case filings by Idaho Power and certain other ratemaking provisions. The Stipulation included a provision which addresses setting the base level for net power supply expenses. Paragraph 7.1 of the Stipulation reads as follows:

7.1. Setting the Base Level for Net Power Supply Expense. Prior to implementing the June 1, 2010, PCA and effective with the coincident PCA rate change, the Company will file with the Commission a request to change the base level for net power supply expenses to be used prospectively for both base rates and PCA calculations. The Parties will thereafter make a good-faith effort to reach agreement on the maximum change of the base level for net power supply expenses and submit any agreement to the Commission for approval.

The Company's Application in this case is filed in compliance with Section 7.1 of the Stipulation.

***Proposed Increase in Base Net Power Supply Expense***

As reflected in the Company's Application, net power supply expense includes a number of categories of variable power supply expenses. Modeled variable power supply expenses include fuel expenses (FERC Accounts 501 and 547) and purchase power expenses (FERC Account 555), not including purchases from qualifying facilities (QFs) under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). To determine net power supply expense, surplus sales revenues (FERC Account 447) are deducted. In addition to the modeled variable power supply expenses categories, the base net power supply expense used for PCA computations also includes PURPA expenses (FERC Account 555), third-party transmission expense (FERC Account 565), water leasing expense (FERC Account 536), and revenue from marginal cost-based special contract pricing (FERC Account 442). The Company's base net power supply expenses are established in general rate cases. The last time the base net power supply expenses were reviewed and approved by the Commission was in the Company's 2008 general rate case, IPC-E-08-10. In each annual PCA, the Company's forecast of variable power supply expenses is compared to a normalized, approved variable power supply expense level and the difference is the principal driver of the PCA.

Idaho Power has computed a 2010 test year NPSE and compared it to the normalized variable power supply expenses that were approved in the Company's 2008 general rate case. Based on that comparison, the Company has determined that the difference between the 2008 and 2010 base level NPSE on a system basis would be \$78.4 million, while on an Idaho jurisdictional basis, the difference would be \$74.8 million. This difference reflects the maximum adjustment to base level NPSE that would be the subject of negotiations pursuant to paragraph 7.1 of the Stipulation. Reference Application supporting testimony Exhibit 4.

The difference between the two above-described NPSE numbers, the Company contends, is driven principally by increases in the payments the Company expects to make to PURPA facilities, increased coal costs for the Company's three coal-fired power plants, and reduced revenues from surplus sales due to decreased gas prices. Net power supply expenses also are affected by changes in the Company's loads. The Company's annual normalized system load used in its last general rate case was 15.9 million megawatt-hours (MWhs). The

Company's 2010 annual normalized system load based on the 2010 test year is 15.7 million MWhs, a decrease of 200,000 MWhs.

### **COMMISSION DECISION**

Idaho Power recommends that its Application in Case No. IPC-E-10-01 be processed pursuant to Modified Procedure, i.e., by written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204. Staff concurs with the Company's request for Modified Procedure and recommends an extended comment deadline. Does the Commission agree with the recommendation to process this case pursuant to Modified Procedure?



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Deputy Attorney General

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